

Rep. Gene Taylor (D-Miss.) **"I oppose cuts in Medicare physician payments."**

"Congress is not going to allow cuts to Medicare's physician payments. The House has already passed a bill to stop the physician pay cuts and permanently change the formula so we don't have to keep doing this every year.

"We are waiting for the Senate to act, and expect that eventually the Senate will figure out how to pass it. The delay in the Senate is mostly about whether this should be a stand-alone bill or should be attached to health care reform or economic stimulus or some other package."

Taylor continued, "Congress should also account for where the money will come from to pay Medicare Part B costs. Medicare physician payments are covered by Medicare Part B, Supplementary Medical Insurance. Part B is not funded by the Medicare payroll tax that funds Part A, Hospital Insurance. Medicare Part B is funded by beneficiary premiums that pay for 25% of the costs and general federal funds that pay 75% of the costs.

"Since the federal government currently has a large budget deficit, that means that much of the 75% share of Medicare Part B from appropriated federal funds are borrowed and added to the federal debt. **The future projections of Medicare spending are misleading** because those projections assume that at some point the SGR physician payment formula will go into effect and reduce payments.

"If Congress makes a permanent change that eliminates the projections of future cuts in physician payments, that will **increase the estimates of future Medicare spending by more than \$200 billion**

above the current projections based on the

flawed formula.
physician payments

I oppose cuts in Medicare

, but I also believe strongly that Congress should not pretend that we can add \$200 billion to projections of

Medicare spending without accounting for those funds through finding savings in other programs.”

Facts:

The House passed a bill, H.R. 3961, on November 19, 2009, to prevent the Medicare physician payment cuts from taking place. However, the Senate was not able to get the 60 votes that were needed to bring the bill to a vote. We are still waiting for the Senate to act.

The formula would have made cuts on January 1, 2010, but because the Senate had not acted on the issue by mid-December, Congress added a provision to delay the Medicare physician payment reductions for two months, until February 28, 2010, to the FY2010 Defense Appropriations Act. The purpose of the delay was to give the Senate time to address this issue.

H.R. 3961, which is the bill passed by the House in November, **would block** the scheduled 21% cut in Medicare physician payment rate. Instead, the bill would **provide a 1.2% increase**

in Medicare payments to doctors. The bill also would permanently change the Medicare physician payment formula that was enacted in the 1997 Balanced Budget Act agreement between the Republican Congressional leaders and the Clinton Administration.

The 1997 Balanced Budget Act set up a formula for determining Medicare physician payment updates based on the “Sustainable Growth Rate” (SGR). In essence, the payments to doctors would increase by the amount of growth in the overall economy. This formula worked fine for everyone as long as the economy was expanding, but when we had a recession in 2001, the formula would have required a cut in payments to doctors. In the years since then, Congress has overridden the formula several times to increase or freeze payments to doctors when the SGR formula would have made cuts in payments.

Every time Congress stopped the SGR formula from making cuts, it increased the amount of cuts that would happen if the formula went into effect. So this year the projected reduction is up to 21% because the formula would take back past increases back to 2002.

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